

~~SECRET~~Dated 7/8/50  
Submitted by DE

on 15 December 1950

THE IMPORTANCE OF IRANIAN AND MIDDLE  
EAST OIL TO WESTERN EUROPE

I. The Problem:

To estimate the effects of the loss of (a) Iranian oil production, and  
(b) total Middle Eastern oil production, upon the viability of Western Europe  
in time of peace.

II. Assumptions:

(a) Loss of Iranian or Middle Eastern oil occurs as of approximately  
1 January 1951.

(b) Rates of crude production, refinery throughput, and consumption of  
refined products estimated for 1950-1 prevail through 31 December 1951.

III. Discussion: (See Enclosure A).

IV. Tables: (See Enclosure B).

V. Conclusions:

1. The loss of Iranian crude oil production and refining capacity could  
be made up by increasing crude output in other areas and by fuller utilization  
of available refining capacity, ~~but only~~ if there is sufficient time, perhaps  
as much as six months, in which to adjust operations, rechannel trade, and  
assure government cooperation throughout the non-Communist world. The  
estimated net increase in annual dollar costs to Western Europe would be around  
700 million dollars.

2. The loss of all Middle Eastern oil would lead to a shortage outside the  
Soviet orbit, even after a maximum practicable increase of 10% in production  
from other sources, of 53 million metric tons per year. All available crude  
could be processed but the considerations, particularly the element of time,  
indicated in paragraph 1 above, would apply to a proportionately greater degree  
because of the larger amount of oil involved.

3. Rationing of 10 percent throughout the non-Soviet world (the maximum  
cutback considered practicable) would nearly offset the 53 million metric ton  
deficit resulting from the loss of all Middle Eastern oil. As a consequence  
of this reduced oil availability, however, the rising trend of refined products  
consumption throughout the non-Communist world would be halted and present plans  
for the rearming of Europe would need to be redrafted.

4. After a cutback of 10 percent in Western European oil consumption, an

~~SECRET~~

~~SECRET~~

Approved For Release 2001/03/04 : CIA-RDP79R01012A000300070011-8

extra annual net dollar expenditure of around 1 to 1.2 billion dollars would still be necessary to replace Western European oil imports from the Middle East by imports from other available sources.

5. It may be noted that the Soviet Union, even though it should gain control of the region, would not be able to utilize the oil supplies of the Middle East save to a limited degree under present availabilities of transportation. The Soviets would probably, therefore, in time of peace wish to sell considerable amounts of Middle Eastern oil to Western Europe. Since Western European oil requirements could not be adequately met from other sources, the USSR would thereby have considerable bargaining power in seeking to acquire strategic materials and dollar exchange.

~~SECRET~~

Approved For Release 2001/03/04 : CIA-RDP79R01012A000300070011-8